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Protecting our community's health and the environment
by providing solid waste and sewer collection services



Costa Mesa Sanitary District
(949) 645-8400
www.cmsdca.gov

Fall 2016
Quarterly Newsletter

Important Information Related to the Consolidation Election

The question of whether the Costa Mesa Sanitary District and the Mesa Water District should be consolidated will be presented to you in the November 8, 2016 election. Voters should know important facts before voting on this advisory measure.

\$330,664 has been authorized by Mesa Water District to be spent on consultants, lobbyists, and public relations firms to convince you that consolidation is a good idea. That figure does not include expenses for the two law firms that are working on this matter, Rutan & Tucker and Bowie Arneson Wiles & Gianone. Because the studies and materials produced by this money are flawed, voters need to be informed of the other side of the story.

Public Records Request

CMSD obtained this information after submitting a Public Records Request to Mesa Water on July 29, 2016. Mesa Water delayed responding to CMSD's request by indicating the records would not be available until September 21, 2016, nearly two months after receiving the public records request. CMSD notified Mesa Water District that they were violating State law, Government Code Section 6253, subdivision (b), by not promptly making the records available, and that Mesa Water was intending "...to delay or obstruct the inspection or copying of public records" in violation of subdivision (c). It is painfully obvious now that Mesa Water officials did not want the public to know how many of your tax dollars they are spending on this endeavor. On August 29, Mesa Water submit-

ted to CMSD readily available and commonly disclosed records, such as board agendas, minutes, staff reports, contracts, and studies.

Merger Discussion

Mesa Water District has a timeline regarding this matter on the home page of its website, and Board members and staff have been telling everyone that the idea to merge with CMSD first came about in April 2016. However, the documents obtained from the Public Records Act request show that the Mesa Water District Board began discussing the merger on March 21, 2015. Mesa Water officials had been discussing the merger for more than a year before they reached out to CMSD and the Local Agency Formation Commission, the neutral agency that reviews and ultimately votes on consolidations.

Mesa Water Performed Two Studies

Documents obtained from the public records request show that on June 13, 2016, Mesa Water received a combined service evaluation study from LA Consulting, Inc. The cost of the study was \$21,000. Apparently, Mesa Water officials did not like the results of

the study and a month later spent another \$30,000 on a flawed and inaccurate study performed by Arcadis U.S., Inc.

How Mesa Water Is Spending Your Tax Dollars

Mesa Water is contending that they would be a better steward of your money. From the documents obtained from the public records request, here is how Mesa Water District is spending your tax dollars to convince you that a merger with CMSD is a good idea.

LA Consulting	1st study	\$ 21,076
Lewis Consulting Group	Lobbyist	25,000
Communications Lab	Public Relations	50,000
Arcadis U.S., Inc.	2nd Study	29,960
Advisory Measure	Elections	66,628
Arcadis Change Order	3rd Study	50,000
Public Outreach	Advocacy	88,000
	TOTAL:	\$ 330,664



The Other Side

Voters should consider the analysis of the Arcadis Study done by Marc Davis, Certified Public Accountant with over 30 years of experience in governmental auditing, accounting and finance management. You can access his analysis by visiting CMSD's website at www.cmsdca.gov. The projections in Mesa Water's Study are flawed, and it is not clear how savings, rebates, and wastewater reductions could be made in the amounts suggested.

Contact Mesa Water District Officials

Contact Mesa Water District officials to ask them about these expenditures and to find out how they came up with their projections. Before you vote in the November 8, 2016 election, make sure you know the facts by reading this newsletter and accessing CMSD's analysis at www.cmsdca.gov.

Mesa Water District Board of Directors

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State of the District Town Hall Meeting

The Costa Mesa Sanitary District Invites You to Join Us at the
State of the District Address

Featuring **President Mike Scheafer**

Learn about new programs, upcoming events,
and the latest news from CMSD.

Costa Mesa Neighborhood Community Center
1845 Park Avenue
Wednesday, October 19, 2016 • 6:00 p.m.

CMSD Board of Directors

Michael ScheaferPresident

Arthur Perry Vice President

Robert OotenSecretary

Arlene Schafer Assistant Secretary

James Ferryman.....Director

We want your suggestions, questions and comments!

Costa Mesa Sanitary District
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www.facebook.com/cmsdca



<https://twitter.com/CostaMesaSD>



www.youtube.com/user/CostaMesaSanitary

Costa Mesa Sanitary District
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What does *Government Transparency* mean? Openness, accountability, and honesty are key factors in government transparency. Government agencies have an obligation to share information in a transparent manner with citizens. Transparency provides citizens with the facts and resources they need to hold their public officials accountable.

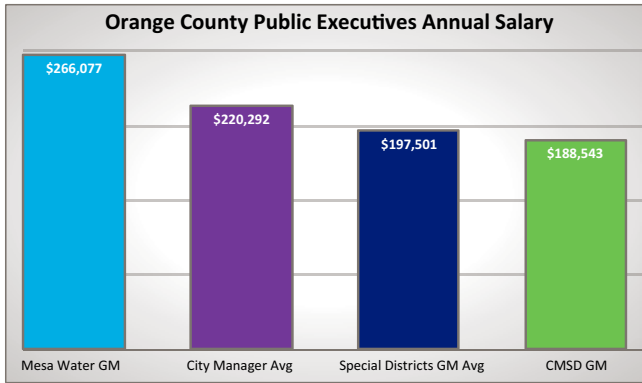
Both Costa Mesa Sanitary District and Mesa Water District have earned Certificates of Excellence in Transparency from the Special District Leadership Foundation. However, there are differences in how each agency has undertaken transparency efforts.

MESA WATER DISTRICT	COSTA MESA SANITARY DISTRICT
Does not video record Board of Directors meetings for the public.	DOES video record Board of Directors meetings for the public and post recordings on CMSD’s website for the public to watch.
Does not post contracts with private vendors and public entities on their website.	DOES post all contracts with private vendors and public entities on their website.
Does not disclose on their website personal financial interest or conflict of interest from officials, Fair Political Practice Commission (FPPC) Form 700.	DOES disclose on their website personal financial interest or conflict of interest from officials, Fair Political Practice Commission (FPPC) Form 700.
Does not disclose on their website District reimbursements of at least \$100 to Board members and/or employees, as required in Section 53065.5 of the California Government Code.	DOES disclose on their website District reimbursements of at least \$100 to Board members and/or employees, as required in Section 53065.5 of the California Government Code.
Does not provide a link on their website disclosing employee compensation from the California State Controller’s Office.	DOES provide a link on their website disclosing employee compensation from the California State Controller’s Office.
Mesa Water received the following GRADES from the 2011-12 Orange County Grand Jury for their website transparency efforts: Accessibility: A Executive Page: D Employee Page: D Source: www.ocgrandjury.org/reports.asp	CMSD received the following GRADES from the 2011-12 Orange County Grand Jury for their website transparency efforts: Accessibility: A Executive Page: B+ Employee Page: B+ Source: www.ocgrandjury.org/reports.asp
Does not disclose the General Manager’s contract on their website.	DOES disclose the General Manager’s contract, including all amendments, on their website.
Does not disclose more than one compensation report.	DOES disclose five compensation reports, starting in FY 2011-12.
Does not disclose on their website a Popular Annual Financial Report (PAFR), which extracts information to produce high-quality financial reports specifically designed to be easily understandable to the public.	DOES disclose on their website a Popular Annual Financial Report (PAFR), which extracts information to produce high-quality financial reports specifically designed to be easily understandable to the public.
Does not disclose all Board of Directors meeting minutes. 2012 is the earliest year of minutes available on their website.	DOES disclose all Board of Directors meeting minutes dating back to February 18, 1944.
Does not disclose all Board of Directors adopted motions (Resolutions) describing their action.	DOES disclose all Board of Directors adopted motions (Resolutions) describing their action, dating back to the first motion, Resolution 1946-01, adopted on September 13, 1946.

DID YOU KNOW?	MESA WATER DISTRICT	COSTA MESA SANITARY DISTRICT
	Is \$27 million in debt.	Has NO debt.
	Unfunded pension liability is \$6.3 million .	Unfunded pension liability is \$271,000 .
	Board of Directors receive health insurance benefits totaling \$65,604 annually.	Board of Directors receive NO health insurance benefits.
Sources: Mesa Water District Comprehensive Annual Financial Report Ended June 30, 2015 • CMSD Comprehensive Annual Financial Report Ended June 30, 2015 Mesa Water District and CMSD websites, “Transparency” page		

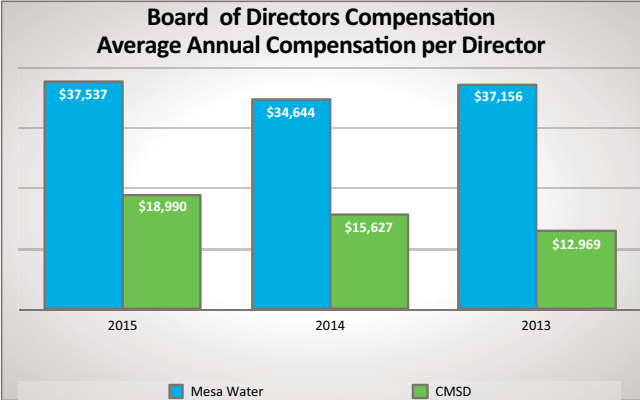
Compensation Comparison

Both Costa Mesa Sanitary District and Mesa Water District say they are efficient in producing the required outcomes with the minimal amount of resources, time, and cost. Based on the information provided below, you can determine which agency is spending your tax dollars more efficiently.

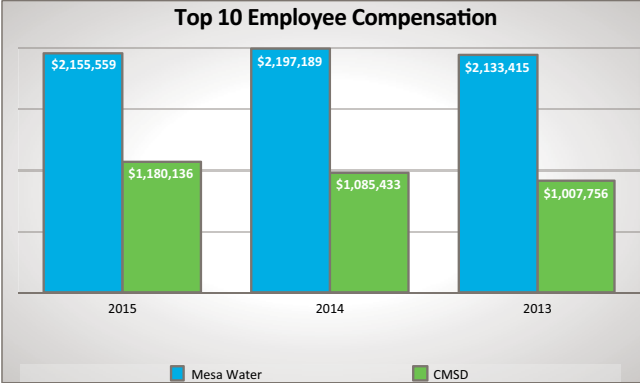


Source: CMSD and Mesa Water District websites and the California State Controller’s webpage, “Government Compensation in California.”

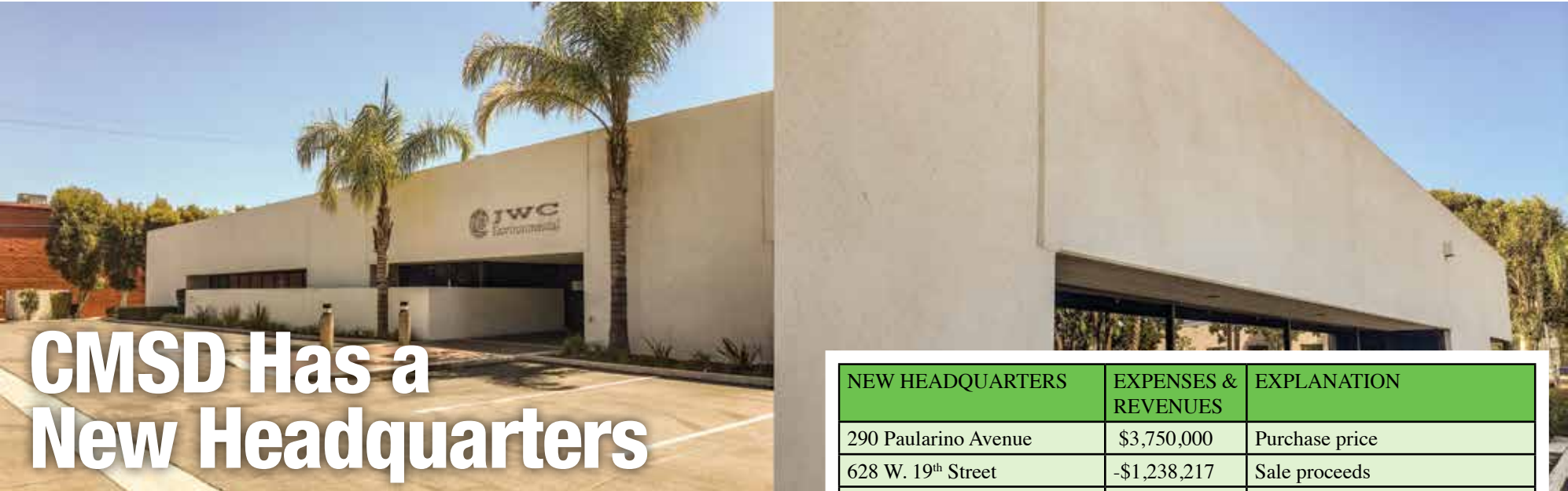
Note: The 2015 compensation for special districts is not available on the State Controller’s website. The special district general manager average salary is for 2014 and from OC water and sanitary districts. Mesa Water and CMSD General Manager annual salaries are for 2015. City manager average annual salary is for Orange County.



Source: CMSD and Mesa Water District websites and the California State Controller’s webpage, “Government Compensation in California.”



Source: CMSD and Mesa Water District websites and the California State Controller’s webpage, “Government Compensation in California.”



The Costa Mesa Sanitary District (CMSD) recently acquired an existing building at 290 Paularino Avenue (corner of Redhill and Paularino Avenues, adjacent to the Time Warner facility) to serve as its new headquarters. The purpose of the acquisition is threefold:

1. Provide adequate parking for staff and the public. CMSD’s current headquarters at 628 W. 19th Street has 13 parking spaces, plus one space dedicated to individuals with disabilities. The current parking lot is inadequate for CMSD to conduct its business. During Board of Directors meetings, staff has had to park at the Costa Mesa Senior Center, located at 695 W. 19th Street, to ensure that there are enough parking spaces for the Board of Directors and members of the public. The new headquarters will have 40 parking spaces, including two dedicated Americans with Disabilities Act (ADA) spaces.
2. Community rooms for organizations to rent for their meetings and/or gatherings are in short supply. The new facility will have a 1,025 square foot multi-purpose room that will be available for community organizations to utilize for their activities.
3. Provide more public seating for Board of Directors meetings. CMSD’s current boardroom can accommodate approximately six members of the public. The new facility’s boardroom will have the capacity to accommodate up to 30 members of the public.

Tenant improvements are currently underway, and CMSD is planning to move into the new building during the first week of December. In case you were wondering what will happen to the old headquarters at 628 W. 19th Street, CMSD sold the building to a private company for \$1,238,217. The proceeds from the sale of 628 W. 19th Street went towards the purchase of the new headquarters. As indicated above right, the total projected cost for the new headquarters is under \$3 million.

NEW HEADQUARTERS	EXPENSES & REVENUES	EXPLANATION
290 Paularino Avenue	\$3,750,000	Purchase price
628 W. 19 th Street	-\$1,238,217	Sale proceeds
Facility Revolving Fund	-\$ 800,000	Restricted Funds that cannot be used for Maintenance & Operations
Subtotal:	\$ 1,711,783	Net purchase price
Professional Services	\$ 114,000	Engineering, designs, project management
Asbestos Mitigation	\$ 1,700	
Construction	\$ 845,000	Tenant improvements and carpentry (dais, award cabinet)
Furniture, Fixtures & Equipment	\$ 265,900	Audiovisual, security system, furniture, etc.
GRAND TOTAL:	\$ 2,938,383	

Response to Assertion That Mesa Water District Actions Are Consistent With Recommendations of 2014-2015 Orange County Grand Jury Report, “OC LAFCO: It’s Time to Redraw the Lines”

Mesa Water District officials are telling you that they are simply following through on the recommendations of the Orange County Grand Jury. However, the recommendations made by the Grand Jury focused on the Orange County Local Agency Formation Commission (LAFCO), the neutral agency that reviews and approves consolidations, dissolutions, mergers, and annexations. LAFCO responded to the Grand Jury recommendations and made the following points:

- LAFCO has approved many consolidations, dissolutions, mergers, and annexations, such as:
 - › Dissolution of the Carpenter Irrigation District and its annexation to Irvine Ranch Water District
 - › Consolidation of Tri-Cities Municipal Water District with Coastal Municipal Water District
 - › Merger of Capistrano Valley Water District and City of San Juan Capistrano Water District
 - › Reorganization of four special districts into what became South Coast Water District
- LAFCO uses a process known as Municipal Service Reviews, or MSRs, to look at future growth and “...how agencies are planning to deliver public services in the most cost-effective and efficient manner.”
- MSRs are a “stakeholder-driven” process designed to both identify potential

opportunities for more efficient delivery of government services and to help the public better understand the operational infrastructures and services of the County, cities, and special districts.

- The MSR process involves ALL stakeholders and is driven by the most recent and accurate data to compile its recommendations.
- OC LAFCO is preparing to initiate its next cycle of MSRs, with Mesa Water District scheduled for its review in 2018.

Contrary to the MSR process undertaken by LAFCO, which is an independent and impartial government body, Mesa Water District hired its own contractor to prepare a (flawed) analysis of a potential consolidation with Costa Mesa Sanitary District (CMSD), and is now using that analysis as the basis for a public advisory vote despite the numerous misstatements and inaccuracies cited by CMSD.

Since any potential consolidation would require a thorough and costly review by LAFCO staff, followed by a vote of its Commissioners on any recommendation, why is Mesa Water District rushing forward to a public vote, especially with information that is incorrect?

To review LAFCO’s response to the OC Grand Jury, please go to CMSD’s website (www.cmsdca.gov) and click on the “Media” tab to find the page titled “Response to 2014-2015 OC Grand Jury Report.”

CMSD Awards

In the past five years, CMSD has been recognized by many local, state, and national organizations for excellence in finance, transparency, innovative and effective programs, sound policies, and safety. CMSD is proud to have received 22 awards in the last five years.

- Four-time winner of the District of Distinction Accreditation from Special District Leadership Foundation (SDLF) (2016, 2014, 2012, 2009)
- Silver Award of Excellence, Integrated Solid Waste Management System, from Solid Waste Association of North America (SWANA) (2016)
- Program Excellence in Governance, Introduction of Innovative Customer Service, from International Institute of Municipal Clerks (IIMC) (2016)
- Award for Outstanding Achievement in Popular Annual Financial Reporting from Government Finance Officers Association (GFOA) (2016)
- Four-time recipient of the Certificate of Achievement for Excellence in Financial Reporting from Government Finance Officers Association (GFOA) (2015, 2014, 2013, 2012)
- Two-time winner of the Collection System of the Year from the Santa Ana River Basin Section (SARBS) of California Water Environment Association (CWEA) (2015 and 2012)
- Two-time recipient of Certificate of Excellence in Transparency from Special District Leadership Foundation (SDLF) (2015-2017 and 2013-2015)
- Gold Recognition in Special District Governance from Special District Leadership Foundation (SDLF) (2014)
- General Manager of the Year from California Special Districts Association (CSDA) (2013)
- Collection System of the Year from California Water Environment Association (CWEA) (2012)
- Excellence in Safety Award from Special District Risk Management Authority (SDRMA) (2012)
- Innovative Project of the Year – Using Electromagnetic Sensors to Assess Sewer Force Main Pipes, from the California Special Districts Association (CSDA) (2012)
- Leadership in Energy and Environmental Design (LEED) Platinum for CMSD Corporate Yard from the U.S. Green Building Council (2011)
- Outstanding Financial Reporting from California Society of Municipal Finance Officers (2011)



How Much Is Enough?

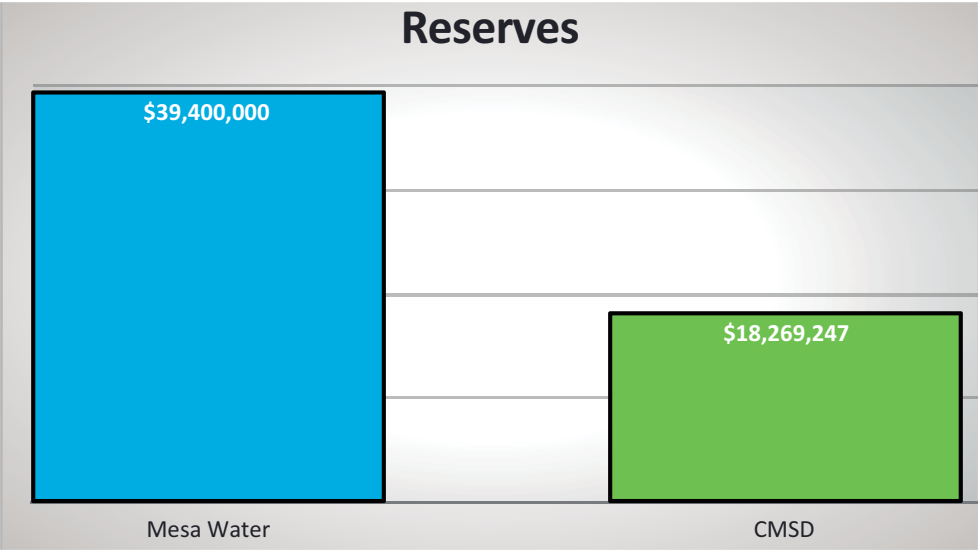
RESERVE FUNDS

According to the “Special District Reserve Guidelines” of the California Special Districts Association (CSDA), reserves are the foundation of the sustainable delivery of core services. Through prudent reserves, special districts offer taxpayers and ratepayers significant benefits, including:

- 1. Savings to balance budgets
- 2. Emergency preparedness
- 3. Stable rates
- 4. Well-maintained infrastructure
- 5. Investment in the future

The fundamental question in maintaining a reserve is, how much is enough? In other words, when are reserves too low and when are they too high? The Guidelines set forth that there should be a clear and well-articulated rationale for accumulation and management of reserve funds. Special districts should develop and adopt a reserve policy as a commitment to financial prudence and careful stewardship of community assets.

On December 12, 2013, the Mesa Water District Board of Directors held a public hearing for a five-year rate increase (2014-2018). During the public hearing, the Board learned that approximately 7% of the revenues generated from the rate increase would go to reserves. Why? Mesa Water now has double the amount of reserves that CMSD has and lacks a well-articulated rationale for this higher accumulation of their reserves. In contrast, CMSD provides a breakdown of its reserves at every monthly Board meeting in the Investment Report submitted by CMSD’s Treasurer. The rationale for CMSD reserves are described further below.



Sources: Mesa Water Arcadis Study, dated July 2016; CMSD Investment Report, dated July 31, 2016

CMSD SOLID WASTE		
Type	Description	Amount
Operating Reserve	Set at 30% of the operating budget. The operating reserve may only be accessed under the following circumstances, and only with Board approval. 1. Federal/State budget cuts resulting in loss of grant funding; 2. Local revenue shortfalls due to a downturn in the local economy; 3. Increase in demand for specific services without another source of recovery; 4. Legislative or judicial mandates to provide new or expanded services or programs without new or fully off-setting revenues; 5. One-time Board approved expenses; 6. Unexpected increases in inflation (Consumer Price Index); or 7. Natural disasters (earthquakes, fires or other general infrastructure failures).	\$1,720,000
Designated for Revenue Dry Period	Money needed to pay for solid waste bills when CMSD has a negative cash flow until the annual charges have been collected and remitted from the County of Orange. Funds cash flow from May through November.	\$2,450,000
Undesignated	Rate stablization. Paying for organics recycling costs.	\$1,103,508
Total Reserves for Solid Waste		\$5,273,508

CMSD WASTEWATER		
Type	Description	Amount
Capital Outlay	Represents money approved but not spent for repairing and replacing wastewater infrastructure, as required by state regulations.	\$4,960,800
Asset Management Fund	Accumulation of funds to ensure the District has enough money for repairing and replacing wastewater infrastructure, such as pipes, pumps, valves, electrical control panels, etc. In the next five years, CMSD is projecting to spend nearly \$10 million on wastewater infrastructure.	\$5,212,146
Designated for Revenue Dry Period	Money needed to pay for wastewater bills when CMSD has a negative cash flow until the annual charges have been collected and remitted from the County of Orange. Funds cash flow from May through November.	\$2,337,500
Asset Replacement Fund	Accumulation of funds for the purchase of new or replacement vehicles, equipment, and computers.	\$1,057,039
Emergency Preparedness	Infrastructure improvements caused by catastrophic disaster.	\$1,000,000
Operating Reserve	Set at 25% of the operating budget. May only be accessed under the same circumstances as the Solid Waste Operating Reserve.	\$960,000
Facilities Revolving Fund	Funds are derived from the collection of fixture fees and are restricted. They can only be used for new sewer facilities and cannot be used for maintenance. These funds will be used to reimburse a portion of the purchase of the new headquarters building.	\$801,854
Undesignated	Funds available for wastewater use. Current deficit is due to the cash outlay for the purchase of the new headquarters building, a portion of which will be reimbursed by the Facilities Revolving Fund.	\$(3,333,600)
Total Reserves for Wastewater		\$12,995,739
TOTAL RESERVES		\$18,269,247

The reserves described above keep raw sewage out of waterways and protect the community’s health and the environment. CMSD’s commitment to financial prudence and careful management of its reserves will prevent costly repairs and replacement in the future and avoid tremendous costs to upgrade the sewer system like the agencies below:

- City of Garden Grove spends \$54 million over 10 years to upgrade its sewer system. – www.ocregister.com/articles/city-192853-sewer-system.html
- City of San Diego is investing more than \$1 billion on its sewer system over a six-year period. – www.wwdmag.com/san-diego-settles-1-billion-sewage-improvements-maintenance
- City of Richmond and West County Wastewater District will spend \$25 million on capital improvements to sewer collection systems. – https://baykeeper.org/press_release/city-richmond-pledges-clean-its-sewage-system